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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

■ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: March 31, 1992

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 0-18823

UNIVERSAL INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Minnesota (State or jurisdiction of incorporation or organization)	41-0776502 (I.R.S. Employer Identification No.)
5000 Winnetka Avenue North New Hope, Minnesota (Address of principal executive offices)	55428 (Zip Code)

(612) 533-1169
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

On April 30, 1992 there were 4,893,328 shares of the registrant's $.05 par value Common Stock outstanding.

This document contains 11 pages.

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UNIVERSAL INTERNATIONAL, INC.
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UNIVERSAL INTERNATIONAL, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended	
	March 31, 1992	March 31, 1991
Net sales	$15,703,986	$15,708,553
Cost of goods sold	12,809,028	12,777,082
Gross profit	2,894,958	2,931,471
Selling, general and administrative expenses	3,283,495	1,747,082
Operating income (loss)	(388,537)	1,184,389
Other income (expense):		
Miscellaneous income (expense)	8,441	1,050
Interest expense, net	32 (15,594)	(167,796)
	(7,153)	(166,746)
Income (loss) before income taxes	(395,690)	1,017,643
Income tax provision (benefit)	(146,405)	377,000
Net income (loss)	($249,285)	$ 640,643
Net income (loss) per common share	($.05)	$.20
Weighted average number of common shares outstanding	4,607,614	3,277,402

See accompanying notes to unaudited consolidated condensed financial statements

UNIVERSAL INTERNATIONAL, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(unaudited)

	March 31, 1992 (unaudited)	December 31, 1991
ASSETS		
Current assets:		
Cash	$0	$542,829
Accounts receivable, less allowance for doubtful accounts of $300,000 at both dates	9,790,343	7,607,247
Inventories	21,575,240	17,937,322
Other current assets	700,207	478,410
Deferred income taxes	391,000	391,000
Total current assets	32,456,790	29,956,808
Equipment and improvements, net	2,445,705	2,369,413
Total assets	$34,902,495	$29,326,221
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Note payable, shareholder	$0	$266,400
Accounts payable	4,571,385	5,047,345
Accrued rent	298,250	327,045
Other	241,678	270,986
Total current liabilities	5,111,313	5,911,776
Deferred income taxes	103,041	109,000
Borrowings under revolving credit agreement	2,178,007	7,428,422
Total liabilities	7,392,361	13,449,198
Commitments and contingencies		
Shareholders' equity:		
Common stock, $.05 par value, 10,000,000 shares authorized; 4,893,328 and 3,893,328 shares issued and outstanding for 1992 and 1991, respectively	244,666	194,666
Additional paid-in capital	22,909,290	11,076,894
Retained earnings	4,356,178	4,605,463
Total shareholders' equity	27,510,134	15,877,023
Total liabilities and shareholders' equity	$34,902,495	$29,326,221

See accompanying notes to unaudited consolidated condensed financial statements

UNIVERSAL INTERNATIONAL, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended	
	March 31, 1992	March 31, 1991
Cash flows from operating activities:		
Net income (loss)	($249,285)	$640,643
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and amortization	73,383	24,822
Provision for inventory obsolescence	100,000	25,000
Deferred income taxes	5,959	(4,000)
Changes in operating assets and liabilities:		
Accounts receivable	(2,183,096)	(3,261,595)
Inventories	(3,737,918)	(3,542,087)
Other current assets	(221,797)	(30,949)
Income taxes payable		(199,000)
Accounts payable	475,960	2,791,698
Other accrued liabilities	58,103	178,502
Net cash used by operating activities	(6,758,735)	(3,376,966)
Cash flows from investing activities:		
Additions to equipment and improvements	(149,675)	(204,838)
Net cash used by investing activities	(149,675)	(204,838)
Cash flows from financing activities:		
Net change in bank borrowings	(5,250,415)	3,585,349
Payments of shareholder loans	(266,400)	
Sale of Common Stock	11,882,396	(3,545)
Net cash provided by financing activities	6,365,581	3,581,804
Net (decrease) increase in cash	(542,829)	0
Cash, beginning of period	542,829	125
Cash, end of period	$ 0	$ 125

See accompanying notes to unaudited consolidated condensed financial statements

1. Basis of Presentation

The financial statements included in this Form 10-Q have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to such rules and regulations. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's 1991 Annual Report and Form 10-K.

The financial statements presented herein as of March 31, 1992 and for the three months then ended reflect, in the opinion of management, all adjustments necessary for a fair presentation of financial position and the results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year.

2. Sale of Common Stock

In January 1992, the Company received net proceeds of approximately $11.9 million from the sale of one million shares of common stock in a private placement to institutional investors. The funds from the sale were used to eliminate borrowings under the Company's revolving line of credit, approximately $8 million at January 27, 1992.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth, for the periods indicated, certain items from the Company's operating statement data expressed as a percentage of net sales.

	Three Months Ended March 31,	
	1991	1992
	(unaudited)	
Net sales	100.0%	100.0%
Cost of sales	81.3	81.6
Gross profit	18.7	18.4
Selling, general & administrative expenses	11.1	20.9
Income (loss) from operations	7.6	(2.5)
Interest and other expense, net	1.1	0.0
Income (loss) before income taxes	6.5	(2.5)
Income tax provision (benefit)	2.4	(.9)
Net income (loss)	4.1%	(1.6%)

First Three Months of Fiscal 1992 versus 1991

Net sales for the first three months of 1992 decreased by approximately $4,000 over net sales for the first three months of 1991. This decrease resulted from lower sales in the Company's wholesale business during the 1992 period than occurred during the 1991 period. This reduction was somewhat offset by the revenues of the Company's retail business which was not in existence in the first quarter of 1991. The principal reasons for the reduction in revenues in the wholesale operation on a comparative basis, were the opportunistic nature of the wholesale business and the impact of the retail operations on the warehouse.

Gross profit as a percent of net sales decreased from 18.7% during the first three months of 1991 to 18.4% during the first three months of 1992. This decrease was the result of a larger provision for

inventory obsolescence during the 1992 quarter versus the 1991 quarter ($100,000 vs. $25,000). In addition, some fluctuations in margin is typical in the wholesale operations due to the opportunistic nature of the business.

Selling, general and administrative expenses increased as a percentage of sales to 20.9% in the first three months of 1992 from 11.1% in the first three months 1991. This was primarily the result of the increased costs associated with developing the Company's retail infrastructure, the operation of its Only Deals stores and the write-off of certain accounts receivables. In addition, the selling, and administrative expenses in the wholesale business have increased since the first quarter of 1991, while the revenues in the wholesale operation were lower thus increasing the associated costs as a percentage of sales. Interest and other expenses decreased in the first three months of 1992 compared with the first three months of 1991. This decrease is principally the result of interest expense being nearly eliminated during 1992 as a result of the Company's private placement of common stock to institutional investors in January 1992.

The Company incurred a net loss of $249,000 during the three months ended March 31, 1992 while generating net income of $641,000 in the period ending March 31, 1991. The loss in 1992 was primarily the result of the increased costs associated with developing the Company's retail infrastructure, the operation of its Only Deals stores, increased levels of inventory for projected new store openings, and the write-off of certain accounts receivables.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1992 the Company had available a revolving line of credit of $15,000,000 compared to $11,000,000 at March 31, 1991. At March 31, 1992, borrowings under the line of credit were $2.2 million, leaving an availability of $12.8 million. This represents a decrease of $5.3 million in bank borrowings from the March 31, 1991 borrowings. In January 1992, the Company received net proceeds of approximately $11.9 million from the sale of 1,000,000 shares of common stock in a private placement to institutional investors. These funds were used to eliminate borrowings under the Company's revolving line of credit, which was approximately $8,000,000 at January 27, 1992. The remainder of the net proceeds were placed in an interest bearing account. Those funds, along with borrowings under the revolving line of credit, will be used primarily to fund the expansion of the Company's Only Deals stores in 1992.

Under its line of credit, the Company may borrow up to $15,000,000 on a revolving basis against a borrowing base derived from the level of qualifying accounts receivable and inventory through September 1993. The Company pays interest at either the bank's prime lending rate, as adjusted from time to time, or LIBOR plus 2.25%. The Company also

pays a commitment fee to the bank of .5% on the difference between the total available line of credit and the average daily principal amount outstanding. The line of credit and related documents contain customary restrictions and covenants and requires, among other things, that the Company maintain certain levels of tangible net worth, pre-tax net income, and a prescribed debt-to-net worth ratio. The line of credit also restricts the Company's ability to declare cash dividends.

During 1992, the Company intends to control the growth in its wholesale operation and plans to open up to thirty Only Deals stores, depending on the availability of acceptable locations, and other operational considerations some of which are beyond the Company's control. Based upon an estimated capital requirement of $300,000 to open a retail location, the Company will require working capital in excess of $9,000,000 to achieve these goals. This capital will be required primarily to fund anticipated capital expenditures associated with the planned expansion, including leasehold improvements and store fixtures and equipment; the cost of acquiring additional inventory, both in-store and back-up; and overhead associated with the expansion. The Company believes that cash generated from the January 1992 private placement, as well as amounts available under its revolving line of credit, and the retention of future earnings, will be sufficient to meet its capital requirements during 1992.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

None.

(b) Reports on Form 8-K.

The Company filed one report on Form 8-K during the quarter covered by this report.

Report on Form 8-K dated January 27, 1992

This report described the sale of one million shares of the Company's common stock in a private placement to institutional investors, the net proceeds of which were approximately $11.9 million. In connection with the private placement, the Company granted the investors demand registration rights, which are the subject of the Company's Registration Statement on Form S-1 (Registration No. 33-47519) as filed with the Commission on April 28, 1992. This report also discussed the addition of two officers including a new Chief Financial Officer and a Director of Operations - "Only Deals", Inc.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSAL INTERNATIONAL, INC.

Date: May 14, 1992

By: Mark L. Bartholomay
Mark L. Bartholomay
Chief Financial Officer